

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Michigamme Township	County Marquette
Audit Date 3/31/05	Opinion Date 12/2/5	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) Anderson, Tackman & Co, PLLC			
Street Address 102 W. Washington St, Suite 109	City Marquette	State MI	ZIP 49855
Accountant Signature <i>Michael A. DeJong</i>			

TOWNSHIP OF MICHIGAMME, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

TABLE OF CONTENTS

Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Statement of Net Assets	10
Statement of Activities	11
Governmental Funds – Balance Sheet	12
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets	13
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balance	14
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	15
Sewer Fund:	
Proprietary Funds – Statement of Net Assets	16
Proprietary Funds – Statement of Revenues, Expenses and Changes in Net Assets	17
Proprietary Funds – Statements of Cash Flows	18
Fiduciary Funds – Statement of Fiduciary Net Assets	19
Notes to Financial Statements	20

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

General Fund – Budgetary Comparison Schedule	35
Fire Fund – Budgetary Comparison Schedule	36
Building Fund – Budgetary Comparison Schedule	37
Garbage Fund – Budgetary Comparison Schedule	38

OTHER SUPPLEMENTAL INFORMATION

Major Governmental Funds – General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	40
Major Governmental Funds – Fire Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	44
Major Governmental Funds – Building Fund – Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	46
Major Governmental Funds – Garbage Fund – Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	47
Non-Major Governmental Funds – Balance Sheet	48
Non-Major Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	49
Special Revenue Funds:	
Major Governmental Funds – Road Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	50
Major Governmental Funds – Park Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	51
Fiduciary Funds – Combining Statement of Net Assets	52

COMPLIANCE SUPPLEMENTS

Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54
Report to Management Letter	55



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Members of
The Township Board of Trustees
Township of Michigamme, Michigan
PO Box 220
Michigamme, Michigan 49861

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Michigamme, Michigan as of and for the year ended March 31, 2005, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Township of Michigamme, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township of Michigamme, Michigan has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2005.

The Management's Discussion and Analysis on pages 5 through 9 and budgetary comparison information on pages 35 to 38 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Supervisor and Members of the Township Board of Trustees
Township of Michigamme, Michigan

In accordance with *Government Auditing Standards*, we have also issued a separate report to management dated December 2, 2005 on our consideration of the Township of Michigamme, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the Township of Michigamme, Michigan's basic financial statements taken as a whole. The combining and individual fund statements and schedules as listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Township of Michigamme, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLC
Certified Public Accountants

December 2, 2005

Township of Michigamme, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of Michigamme, Michigan's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2005. Please read it in conjunction with the financial statements, which begin on page 20.

FINANCIAL HIGHLIGHTS

The Township's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A.

- Net assets for the Township as a whole increased by \$89,334 as a result of this year's operations. Net assets of our business-type activities decreased by \$48,144, or 4 percent, and net assets of our governmental activities increased by \$137,478, or 10 percent.
- During the year, the Township had expenses for governmental activities that were \$352,608 which is less than the \$490,086 generated in program revenue sources.
- During the year, the Township had expenses for business-type activities that were \$109,427 which is more than the \$61,283 generated in program revenue sources.
- The General Fund reported a net fund balance of \$72,055. This is \$19,184 less than the forecasted increase of \$5,770.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 6. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's *net assets* and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the *overall financial health* of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's Sewer System activities are reported here.

Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 8. The fund financial statements begin on page 12 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- **Governmental funds** – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- **Proprietary funds** – When the Township charges customers for the services it provides – whether to outside customers or to other units of the Township – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Township as a Whole

Table I provides a summary of the Township's net assets as of March 31, 2005.

Table 1
Net Assets

	Governmental Activities – 2005	Business-Type Activities – 2005	Total Primary Government – 2005
Current and other assets	\$ 338,013	\$ 236,785	\$ 574,798
Capital assets, net	1,788,259	1,381,418	3,169,677
Total Assets	2,126,272	1,618,203	3,744,475

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNEDITED) (Continued)

	Governmental Activities – 2005	Business-Type Activities – 2005	Total Primary Government – 2005
Current liabilities	\$ 40,894	\$ 28,209	\$ 69,103
Non-current liabilities	607,615	495,000	1,102,615
Total Liabilities	648,509	523,209	1,171,718

Net Assets:

Invested in capital assets, net of related debt	1,148,845	876,418	2,025,263
Restricted	-	131,059	131,059
Unrestricted (deficit)	328,918	87,517	416,435
Total Net Assets	\$ 1,477,763	\$ 1,094,994	\$ 2,572,757

Net assets of the Township's governmental activities stood at \$1,477,763. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$328,918.

The \$328,918 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$87,517. The Township can generally only use these net assets to finance continuing operations of the Sewer System operations.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2005. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2004 is not available.

Table 2
Change in Net Assets

	Governmental Activities – 2005	Business Type Activities – 2005	Total Primary Government – 2005
Revenues			
Program Revenues:			
Charges for services	\$ 143,657	\$ 59,534	\$ 203,191
General Revenues:			
Property taxes	271,752	-	271,752
State Sources	29,758	-	29,758
Interest	3,375	1,749	5,124
Miscellaneous	41,544	-	41,544
Total Revenues	490,086	61,283	551,369
Program Expenses:			
Legislative	18,423	-	18,423
Elections	2,640	-	2,640
General Services and administration	99,718	-	99,718

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

	Governmental Activities – 2005	Business-Type Activities – 2005	Total Primary Government – 2005
Public Safety	\$ 79,004	\$ -	\$ 79,004
Public Works	69,901	-	69,901
Health and Welfare	34,611	-	34,611
Community and Economic Development	1,117	-	1,117
Recreation and Culture	23,963	-	23,963
Other	17,532	-	17,532
Debt Service	5,699	-	5,699
Sewer system	-	109,427	109,427
Total Expenses	352,608	109,427	462,035
Increase (decrease) in net assets	137,478	(48,144)	89,334
Net assets, beginning, as restated	1,340,285	1,143,138	2,483,423
Net Assets, Ending	\$ 1,477,763	\$ 1,094,994	\$ 2,572,757

The Township's total revenues were \$490,086. The total cost of all programs and services was \$352,608, leaving an increase in net assets of \$89,334. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

Governmental Activities had a net income of \$137,478. This was due from a \$9,370 loss from governmental funds, reclassification of \$272,054 from capital outlay to capital assets, record depreciation expense of \$90,565, reclassifying loan proceeds of \$75,000 from revenue to long term liabilities and reclassifying principal portion on long term liabilities from debt expense of \$40,359.

Business-type Activities

Business type activities had a net loss of \$48,144, which is from not charging for depreciation expense to users.

THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 13 reported a *combined* fund balance of \$328,918 and decrease of \$9,370 from the beginning of the year.

The major reason for this loss was the completion of the Building renovation project, which had a net loss of \$7,621 after transfers from other funds.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did not revise the budget.

Budget amendments were not done during the year due to simple oversight. The major differences in the budget were due to budgeting payroll taxes verse personnel expense during the year. Employee and Employer payroll taxes were budgeted in other expenditures and actual expenses for gross wages were recorded in the proper departments.

With these adjustments, actual charges to expenditures were \$4,972, less than the final amended budget. Conversely, revenues were \$3,890 less then the final budget projection.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005, the Township had \$3,169,677 invested in a variety of capital assets including land and improvements, buildings and improvements, and other equipment. (See table 3 below)

Table 3
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities – 2005	Business-Type Activities – 2005	Total Primary Government – 2005
Land	\$ 647,500	\$ 58,724	\$ 706,224
Land improvements	-	-	-
Buildings and improvements	947,959	1,322,694	2,270,653
Equipment and furnishings	192,800	-	192,800
TOTALS	\$1,788,259	\$1,381,418	\$3,169,677

During the current year, the Township purchased a new Fire Truck for \$190,500 and completed the building renovation of \$81,554 and record depreciation expense of \$90,565. The Sewer fund record depreciation expense in the amount of \$35,931.

Debt

At year-end, the Township had \$1,144,414 in bonds and notes outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2005	Business-Type Activities – 2005	Total Primary Government – 2005
Bonds	\$ 4,137	\$ 505,000	\$509,137
Loans	635,276	-	635,276
TOTALS	\$ 639,414	\$ 505,000	\$ 1,144,414

During the year the Township received a new loan in the amount of \$75,000 for the purchase of a new fire truck and record principle payments of \$50,359

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township's budget for the year ending March 31, 2005, the Township considered the following issues:

The fiscal 2006 budget was based on 2005 estimated year end balance and kept fairly stable for all activity.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township of Michigamme, P.O. Box 220, Michigamme, MI 49861.

TOWNSHIP OF MICHIGAMME, MICHIGAN

STATEMENT OF NET ASSETS

March 31, 2005

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 300,934	\$ 3,485	\$ 304,419
Cash and investments - restricted	-	131,059	131,059
Receivables (net)	37,079	102,241	139,320
Prepaid Expense	-	-	-
TOTAL CURRENT ASSETS	338,013	236,785	574,798
Non-current assets:			
Capital assets	3,139,599	1,855,272	4,994,871
Accumulated depreciation	(1,351,340)	(473,854)	(1,825,194)
Total Capital Assets	1,788,259	1,381,418	3,169,677
TOTAL NON-CURRENT ASSETS	1,788,259	1,381,418	3,169,677
TOTAL ASSETS	2,126,272	1,618,203	3,744,475
LIABILITIES:			
Current Liabilities:			
Accounts payable	2,504	218	2,722
Accrued liabilities	6,591	-	6,591
Deferred revenue	-	-	-
Accrued interest	-	17,991	17,991
Current portion of notes payable	31,799	10,000	41,799
Other current liabilities	-	-	-
TOTAL CURRENT LIABILITIES	40,894	28,209	69,103
Non-current Liabilities:			
Compensated absences	-	-	-
Notes payable	607,615	495,000	1,102,615
TOTAL NON-CURRENT LIABILITIES	607,615	495,000	1,102,615
TOTAL LIABILITIES	648,509	523,209	1,171,718
NET ASSETS			
Invested in capital assets net of related debt	1,148,845	876,418	2,025,263
Restricted for:			
Debt Service	-	131,059	131,059
Unrestricted	328,918	87,517	416,435
TOTAL NET ASSETS	\$ 1,477,763	\$ 1,094,994	\$ 2,572,757

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MICHIGAMME, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2005

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business Type Activities	Total
Primary Government:						
Governmental Activities:						
Legislative	\$ 18,423	\$ -	\$ -	\$ (18,423)	\$ -	\$ (18,423)
Elections	2,640	-	-	(2,640)	-	(2,640)
General services and administration	99,718	3,690	-	(96,028)	-	(96,028)
Public safety	79,004	108,010	-	29,006	-	29,006
Public works	69,901	24,642	-	(45,259)	-	(45,259)
Health and Welfare	34,611	6,831	-	(27,780)	-	(27,780)
Community and economic development	1,117	484	-	(633)	-	(633)
Recreation and culture	23,963	-	-	(23,963)	-	(23,963)
Other	17,532	-	-	(17,532)	-	(17,532)
Capital outlay	-	-	-	-	-	-
Debt service	5,699	-	-	(5,699)	-	(5,699)
Total Governmental Activities	352,608	143,657	-	(208,951)	-	(208,951)
Business Type Activities:						
Sewer	109,427	59,534	-	-	(49,893)	(49,893)
Total Business Type Activities	109,427	59,534	-	-	(49,893)	(49,893)
TOTAL PRIMARY GOVERNMENT	\$ 462,035	\$ 203,191	\$ -	(208,951)	(49,893)	(258,844)
General Revenues:						
Taxes				271,752	-	271,752
Unrestricted State sources				29,758	-	29,758
Interest and investment earnings				3,375	1,749	5,124
Miscellaneous				41,544	-	41,544
Transfers				-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS				346,429	1,749	348,178
CHANGE IN NET ASSETS				137,478	(48,144)	89,334
Net assets, beginning of year				1,340,285	1,143,138	2,483,423
NET ASSETS, END OF YEAR				\$ 1,477,763	\$ 1,094,994	\$ 2,572,757

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MICHIGAMME, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2005

	General Fund	Fire Department Fund	Building Fund	Garbage Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 60,078	\$ 59,732	\$ 44,198	\$ 52,141	\$ 84,785	\$ 300,934
Receivables	12,729	5,756	4,012	4,099	2,664	29,260
Due from other funds	11,521	-	-	-	53,400	64,921
Prepaid expense	-	-	-	-	-	-
TOTAL ASSETS	\$ 84,328	\$ 65,488	\$ 48,210	\$ 56,240	\$ 140,849	\$ 395,115
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Accounts payable	\$ 2,504	\$ -	\$ -	\$ -	\$ -	\$ 2,504
Accrued payroll and related	6,591	-	-	-	-	6,591
Due to other funds	3,178	924	51,400	1,144	456	57,102
Deferred revenue	-	-	-	-	-	-
TOTAL LIABILITIES	12,273	924	51,400	1,144	456	66,197
FUND BALANCE:						
Unreserved:	72,055	64,564	(3,190)	55,096	140,393	328,918
TOTAL FUND BALANCE	72,055	64,564	(3,190)	55,096	140,393	328,918
TOTAL LIABILITIES AND FUND BALANCE	\$ 84,328	\$ 65,488	\$ 48,210	\$ 56,240	\$ 140,849	\$ 395,115

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MICHIGAMME, MICHIGAN

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2005

Total Fund Balances for Governmental Funds		\$	328,918
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

Cost of Capital Assets	3,139,599	
Accumulated Deprecation of Assets	<u>(1,351,340)</u>	1,788,259

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of notes payable	\$	31,799	
Notes payable		<u>607,615</u>	
			(639,414)
NET ASSETS OF GOVERNMENTAL ACTIVITIES			<u>\$ 1,477,763</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MICHIGAMME, MICHIGAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended March 31, 2005

	Fire					Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Department Fund	Building Fund	Garbage Fund			
REVENUES:							
Taxes	\$ 92,223	\$ 47,961	\$ 48,207	\$ 48,081	\$	35,280	\$ 271,752
Licenses and Permits	553	-	-	-	-	-	553
Federal Sources	-	-	-	-	-	-	-
State Sources	29,758	1,800	-	-	-	888	32,446
Local Sources	-	-	-	-	-	-	-
Charges for Services	3,621	113,041	-	23,754	-	-	140,416
Fines and Forfeits	-	-	-	-	-	-	-
Interest and Rents	3,025	-	-	-	-	350	3,375
Other Revenue	3,360	884	36,678	-	-	622	41,544
TOTAL REVENUES	132,540	163,686	84,885	71,835		37,140	490,086
EXPENDITURES:							
Legislative	18,423	-	-	-	-	-	18,423
Judicial	-	-	-	-	-	-	-
Elections	2,640	-	-	-	-	-	2,640
General Government	81,612	-	216	-	-	-	81,828
Public Safety	-	37,404	-	-	-	-	37,404
Public Works	7,835	-	-	58,667	-	1,899	68,401
Health and Welfare	-	14,411	-	-	-	-	14,411
Community and Economic Development	1,117	-	-	-	-	-	1,117
Recreation and Culture	6,473	-	-	-	-	8,115	14,588
Other Functions	17,532	-	-	-	-	-	17,532
Capital Outlay	-	190,500	81,554	-	-	-	272,054
Debt Service	-	-	46,058	-	-	-	46,058
TOTAL EXPENDITURES	135,632	242,315	127,828	58,667		10,014	574,456
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,092)	(78,629)	(42,943)	13,168		27,126	(84,370)
OTHER FINANCING SOURCES (USES):							
Loan proceeds	-	75,000	-	-	-	-	75,000
Transfers in	-	-	35,322	-	-	-	35,322
Transfers (out)	(10,322)	(15,000)	-	(10,000)	-	-	(35,322)
TOTAL OTHER FINANCING SOURCES (USES)	(10,322)	60,000	35,322	(10,000)		-	75,000
CHANGE IN FUND BALANCE	(13,414)	(18,629)	(7,621)	3,168		27,126	(9,370)
Fund balance, beginning of year	85,469	83,193	4,431	51,928		113,267	338,288
FUND BALANCE, END OF YEAR	\$ 72,055	\$ 64,564	\$ (3,190)	\$ 55,096		\$ 140,393	\$ 328,918

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MICHIGAMME, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds **\$ (9,370)**

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 272,054	
Depreciation expense	<u>(90,565)</u>	
		181,489

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. (75,000)

Repayment of loan principal is an expenditure in the governmental funds but repayment reduces long-term liabilities in the statement of net assets. 40,359

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 137,478**

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MICHIGAMME, MICHIGAN
SEWER FUND
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
March 31, 2005

	<u>Total</u>
ASSETS:	
Current Assets:	
Cash and investments	\$ 3,485
Cash and investments - restricted	131,059
Accounts receivable, net	102,241
Due from other funds	-
Prepaid expense	-
TOTAL CURRENT ASSETS	<u>236,785</u>
Non-current Assets:	
Capital assets	1,855,272
Accumulated depreciation	(473,854)
TOTAL NON-CURRENT ASSETS	<u>1,381,418</u>
TOTAL ASSETS	<u>1,618,203</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	-
Accrued liabilities	-
Due to other funds	218
Accrued interest payable	17,991
Current portion of long-term debt	10,000
TOTAL CURRENT LIABILITIES	<u>28,209</u>
Non-current Liabilities:	
Bond payable	495,000
TOTAL NON-CURRENT LIABILITIES	<u>495,000</u>
TOTAL LIABILITIES	<u>523,209</u>
NET ASSETS:	
Invested in capital assets net of related debt	876,418
Restricted - debt service	131,059
Unrestricted	87,517
TOTAL NET ASSETS	<u>\$ 1,094,994</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MICHIGAMME, MICHIGAN

PROPRIETARY FUNDS

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended March 31, 2005

	<u>Total</u>
OPERATING REVENUES:	
Charges for services (net)	\$ 59,534
Other operating revenue	<u>-</u>
TOTAL OPERATING REVENUES	<u>59,534</u>
OPERATING EXPENSES:	
Operating expenses	37,515
Depreciation	<u>35,931</u>
TOTAL OPERATING EXPENSES	<u>73,446</u>
OPERATING INCOME (LOSS)	<u>(13,912)</u>
NON-OPERATING REVENUES (EXPENSES):	
Investment income	1,749
Interest expense	<u>(35,981)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(34,232)</u>
INCOME (LOSS) BEFORE TRANSFERS	(48,144)
Transfer in	-
Transfer (out)	-
CHANGE IN NET ASSETS	<u>(48,144)</u>
Net assets, beginning of year	<u>1,143,138</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,094,994</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MICHIGAMME, MICHIGAN

PROPRIETARY FUNDS

SEWER FUND

STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2005

	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from fees and charges for services	\$ 72,654
Cash payments to employees for services	(6,790)
Cash payments to suppliers for goods and services	(30,725)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>35,139</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Increase (decrease) Interfund activity	218
Cash payments for capital assets	-
Interest payments on bonds	(36,337)
Principal payments on bonds	(10,000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(46,119)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Change in restricted cash	(4,139)
Interest income	1,749
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(2,390)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,370)
Cash and cash equivalents, beginning of year	16,855
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,485</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (13,912)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	35,931
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	13,120
(Increase) decrease in prepaid expense	-
Increase (decrease) in accounts payable	-
Increase (decrease) in accrued liabilities	-
NET ADJUSTMENTS	<u>49,051</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 35,139</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MICHIGAMME, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

March 31, 2005

	Agency Funds
	<hr/>
ASSETS:	
Cash and cash equivalents	\$ 9,351
Due from other funds	<hr/> 1,178
TOTAL ASSETS	<hr/> \$ 10,529 <hr/>
LIABILITIES:	
Due to other funds	\$ 8,779
Due to others	<hr/> 1,750
TOTAL LIABILITIES	<hr/> \$ 10,529 <hr/>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township's Sewer System is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities. For the most part, the effect of Interfund activities has been removed from these statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

General Fund – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue– Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Township:

- **Enterprise Funds** – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- The **Fire Fund** is used to account for the operations of the fire and EMS department.
- The **Building Fund** is used to account for the maintenance and construction of the townhall.
- The **Garbage Fund** is used to account for the refuse collection system.

The Township reports the following major proprietary funds:

- The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to March 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or groups(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 2. The following considerations must be reviewed in determination of transfer approvals.
 - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the Township?
Will the transfer provide a reasonable solution to the Departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- f. The Township adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

Cash Equivalents and Investments - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	15 years
Building, structures and improvements	10-40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

Long-Term Liabilities: In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Interfund Activity – Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Implementation of New Accounting Principles – In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB No. 34). Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operation's.
 - Financial statements prepared using full accrual accounting for all of the Township's activities, including infrastructure (e.g. streets, bridges and sidewalks)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). There was no current year addition to infrastructure to be reported in these financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government from the Statement of Net Assets:

	Primary Government	Proprietary Funds	Fiduciary Funds	Total
Unrestricted:				
Cash and cash equivalents	\$300,934	\$3,485	\$9,351	\$313,770
Investments	-	-	-	-
	<u>300,934</u>	<u>3,485</u>	<u>9,351</u>	<u>313,770</u>
Restricted:				
Cash and cash equivalents	-	131,059	-	131,059
Investments	-	-	-	-
	<u>-</u>	<u>131,059</u>	<u>-</u>	<u>131,059</u>
TOTALS	<u>\$300,934</u>	<u>\$135,544</u>	<u>\$9,351</u>	<u>\$444,829</u>

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a deposit policy for custodial credit risk. The carrying amounts of the primary government and fiduciary fund's deposits with financial institutions were \$444,829 and the bank balance was \$446,122. The bank balance is categorized as follows:

Amount insured by the FDIC or uncollateralized with securities held by the Township in its name	\$200,000
Amount collateralized with securities held by the pledging financial institutions trust department in the Township's name:	
Collateralized and uninsured	246,122
TOTAL	<u>\$446,122</u>

Investments

As of March 31, 2005, the Township did not have any investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Township has no investment policy that would further limit its investment choices. The Township's investments are in accordance with statutory authority.

NOTE C – INTERFUND TRANSFERS IN AND TRANSFERS OUT:

The Interfund transfers for the year are as follows:

Fund	Transfer In	Fund	Transfer Out
Building Fund	\$35,322	General Fund	\$10,322
		Fire Fund	15,000
		Garbage Fund	10,000
Total	<u>\$35,322</u>	Total	<u>\$35,322</u>

NOTE D – INTERFUND RECEIVABLES AND PAYABLES:

The Interfund transfers for the year relating to un-reimbursed expenses are as follows:

Fund	Receivable	Fund	Payable
General Fund	\$11,521	Fire Fund	\$924
		Garbage Fund	1,144
		Road Fund	266
		Park Fund	190
		Sewer Fund	218
		Tax Collection Fund	8,779
Total	<u>11,521</u>	Total	<u>11,521</u>
Road Fund	2,000	General Fund	2,000
Road Fund	51,400	Building Fund	51,400
Trust and Agency	<u>1,178</u>	General Fund	<u>1,178</u>
Total	<u>\$66,099</u>	Total	<u>\$66,099</u>

NOTE D – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, 2004	Additions	Disposals	Balance at March 31, 2005
GOVERNMENTAL ACTIVITIES:				
Land	\$ 647,500	\$ -	\$ -	\$ 647,500
Total Capital Assets, not being depreciated	<u>647,500</u>	<u>-</u>	<u>-</u>	<u>647,500</u>
Buildings and improvements	1,654,045	81,554	-	1,735,599
Furniture and equipment	566,000	190,500	-	756,500
Total Capital Assets, being depreciated	<u>2,220,045</u>	<u>272,054</u>	<u>-</u>	<u>2,492,099</u>
Less Accumulated Depreciation:				
Building and improvements	(755,375)	(32,265)	-	(787,640)
Furniture and equipment	(505,400)	(58,300)	-	(563,700)
Total Accumulated Depreciation	<u>(1,260,775)</u>	<u>(90,565)</u>	<u>-</u>	<u>(1,351,340)</u>
Governmental Activities Capital Assets, Net	<u>\$1,606,770</u>	<u>\$181,489</u>	<u>\$ -</u>	<u>\$1,788,259</u>

Depreciation expenses for the governmental activities were charged to the following functions and activities of the primary government:

General and Administrative	\$19,390
Public Safety	38,100
Health and Welfare	20,200
Recreation and Culture	12,875
Total	<u>\$90,565</u>

NOTE D – CAPITAL ASSETS (Continued):

A summary of changes in business-type activities capital assets is as follows:

	Balance at April 1, 2004	Additions	Disposals	Balance at March 31, 2005
BUSINESS-TYPE ACTIVITIES:				
Land	\$58,724	\$ -	\$ -	\$58,724
Total Capital Assets, not being depreciated	58,724	-	-	58,724
Buildings and improvements	1,796,548	-	-	1,796,548
Equipment	-	-	-	-
Total Capital Assets, being depreciated	1,796,548	-	-	1,796,548
Less Accumulated Depreciation:				
Buildings and improvements	(437,923)	(35,931)	-	(473,854)
Equipment	-	-	-	-
Total Accumulated Depreciation	(437,923)	(35,931)	-	(473,854)
Business-Type Capital Assets, Net	\$1,417,349	\$(35,931)	\$ -	\$1,381,418

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Sewer Fund	\$35,931
Total Depreciation Expense – Business-Type Activities	<u>\$35,931</u>

NOTE F – LONG-TERM DEBT:

SCHEDULE OF MARQUETTE COUNTY LANDFILL BOND
March 31, 2005

	May		November	
	Principal	Interest	Interest	Total
2005-2006	\$690	\$517	\$131	\$1,338
2006-2007	762	131	102	995
2007-2008	817	102	71	990
2008-2009	889	71	37	997
2009-2010	979	37	-	1,016
TOTALS	<u>\$4,137</u>	<u>\$858</u>	<u>\$341</u>	<u>\$5,336</u>

The Bonds originally issued for \$9,738 and dated September 11, 1991 mature annually as scheduled above and bears a variable interest rate.

SCHEDULE OF FIRE TRUCK LOAN
March 31, 2005

	May		
	Principal	Interest	Total
2005-2006	\$7,462	\$2,146	\$9,608
2006-2007	6,062	3,546	9,608
2007-2008	6,380	3,228	9,608
2008-2009	6,715	2,893	9,608
2009-2010	7,068	2,540	9,608
2010-2011	7,439	2,169	9,608
2011-2012	7,829	1,779	9,608
2012-2013	8,241	1,367	9,608
2013-2014	8,673	935	9,608
2014-2015	9,131	477	9,608
TOTALS	<u>\$75,000</u>	<u>\$21,080</u>	<u>\$96,080</u>

NOTE F – LONG-TERM DEBT (Continued):

The Loan originally issued for \$75,000 and dated September 23, 2004 mature annually on April 1 above and bears a 5.25% interest rate.

Building Loan March 31, 2005			
	April 1		Total
	Principal	Interest	
2005-2006	\$23,646	\$22,411	\$46,057
2006-2007	24,592	21,465	46,057
2007-2008	25,576	20,481	46,057
2008-2009	26,599	19,458	46,057
2009-2010	459,863	18,395	478,258
TOTALS	\$560,276	\$102,210	\$662,486

The loan originally issued for \$600,000 and dated April 1, 2003 mature annually on April 1 above, with a balloon payment in 2009 and bears a 4% interest rate.

SEWER REVENUE BOND March 31, 2005				
	April 1		September 1	Total
	Principal	Interest	Interest	
2005-2006	\$5,000	\$15,141	\$14,963	\$ 35,104
2006-2007	6,000	14,963	14,749	35,712
2007-2008	6,000	14,749	14,535	35,284
2008-2009	7,000	14,535	14,286	35,821
2009-2010	7,000	14,286	14,036	35,322
2010-2011	8,000	14,036	13,751	35,787
2011-2012	10,000	13,751	13,395	37,146
2012-2013	11,000	13,395	13,003	37,398
2013-2014	12,000	13,003	12,576	37,579
2014-2015	13,000	12,576	12,113	37,689
2015-2016	14,000	12,113	11,614	37,727
2016-2017	15,000	11,614	11,079	37,693
2017-2018	16,000	11,079	10,510	37,589
2018-2019	17,000	10,510	9,904	37,414
2019-2020	18,000	9,904	9,263	37,167
2020-2021	20,000	9,263	8,550	37,813
2021-2022	21,000	8,550	7,802	37,352
2022-2023	22,000	7,802	7,018	36,820
2023-2024	23,000	7,018	6,199	36,217
2024-2025	24,000	6,199	5,344	35,543
2025-2026	25,000	5,344	4,453	34,797
2026-2027	25,000	4,453	3,563	33,016
2027-2028	25,000	3,563	2,672	31,235
2028-2029	25,000	2,672	1,781	29,453
2029-2030	25,000	1,781	890	27,671
2030-2031	25,000	890	-	25,890
TOTALS	\$ 425,000	\$ 253,190	\$ 238,049	\$ 916,239

NOTE F – LONG-TERM DEBT (Continued):

The Bond was originally issued for \$446,000 on September 10, 1991. Bond Payments are due Semi-annually, April 1 (principal plus interest) and September 1 (interest), with an interest rate of 7.125%

SEWER SPECIAL ASSESSMENT BOND				
March 31, 2005				
	April 1		September 1	Total
	Principal	Interest	Interest	
2005-2006	\$5,000	\$2,850	\$2,672	\$10,522
2006-2007	5,000	2,672	2,494	10,166
2007-2008	5,000	2,494	2,316	9,810
2008-2009	5,000	2,316	2,138	9,454
2009-2010	5,000	2,138	1,959	9,097
2010-2011	5,000	1,959	1,781	8,740
2011-2012	5,000	1,781	1,603	8,384
2012-2013	5,000	1,603	1,425	8,028
2013-2014	5,000	1,425	1,247	7,672
2014-2015	5,000	1,247	1,069	7,316
2015-2016	5,000	1,069	891	6,960
2016-2017	5,000	891	713	6,604
2017-2018	5,000	713	534	6,247
2018-2019	5,000	534	356	5,890
2019-2020	5,000	356	178	5,534
2020-2021	5,000	178	-	5,178
TOTALS	<u>\$ 80,000</u>	<u>\$ 24,226</u>	<u>\$ 21,376</u>	<u>\$ 125,602</u>

The Bond was originally issued for \$150,000 on September 10, 1991. Bond Payments are due Semi-annually, April 1 (principal plus interest) and September 1 (interest), with an interest rate of 7.125%.

Year	Governmental	Business Type	Total
2005-2006	\$31,798	\$10,000	\$41,798
2006-2007	31,416	11,000	42,416
2007-2008	32,773	11,000	43,773
2008-2009	34,203	12,000	46,203
2009-2010	467,910	12,000	479,910
2010-2011	7,439	13,000	20,439
2011-2012	7,829	15,000	22,829
2012-2013	8,241	16,000	24,241
2013-2014	8,673	17,000	25,673
2014-2015	9,131	18,000	27,131
2015-2016	-	19,000	19,000
2016-2017	-	20,000	20,000
2017-2018	-	21,000	21,000
2018-2019	-	22,000	22,000
2019-2020	-	23,000	23,000
2020-2021	-	25,000	25,000
2021-2022	-	21,000	21,000
2022-2023	-	22,000	22,000
2023-2024	-	23,000	23,000
2024-2025	-	24,000	24,000
2025-2026	-	25,000	25,000
2026-2027	-	25,000	25,000
2027-2028	-	25,000	25,000
2028-2029	-	25,000	25,000
2029-2030	-	25,000	25,000
2030-2031	-	25,000	25,000
Total	<u>\$639,413</u>	<u>\$505,000</u>	<u>\$1,144,413</u>

NOTE F – LONG-TERM DEBT (Continued):

	April 1, 2004	Additions	Subtractions	June 30, 2005
Governmental Activities:				
This debt represents the Township's share of the Bond to form the Joint Venture in the Marquette County Solid Waste Management Authority.	\$4,772	\$ -	\$635	\$4,137
Fire Truck Loan	-	75,000	-	75,000
Building Loan – (Paid Off on 7/31/04)	600,000	-	39,724	560,276
Total Governmental Activities	604,772	75,000	40,359	639,413
Business-Type Activities:				
Revenue Bond – for original sewer system	430,000	-	5,000	425,000
Special Assessment Bond – for original sewer system	85,000	-	5,000	80,000
Total Business-Type Activities	515,000	-	10,000	505,000
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	\$1,119,772	\$75,000	\$50,359	\$1,144,413

NOTE G – RESERVED AND DESIGNATED NET ASSETS:

The Water Fund has reserved net assets totaling \$131,059 which represents the balance available to pay down debt.

NOTE H – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Local Governmental Unit 2003 ad valorem tax is levied and collectible on December 1, 2004, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2004 taxable valuation of the Local Governmental Unit totaled \$20,091,956, on which ad valorem taxes levied consisted of 3.9534 mills for the Local Governmental Unit operation purposes, 3.8816 mills for garbage, road and park operations, 2.1415 mills for fire and emergency management service operations and 1.8526 mills for the community building. These amounts are recognized in the General Fund, Garbage Fund, Road Fund, Park Fund and Building fund financial statements as revenue.

NOTE I – CONTINGENT LIABILITIES:

Risk Management - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE J – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

The Township has variances with regards to expenditures over appropriations in their funds as of March 31, 2005.

	Budget	Actual	Unfavorable Variance
General Fund:			
Elections	\$1,000	\$2,640	\$1,640
Supervisor	6,000	6,004	4
Assessor	3,500	4,478	978
Clerk	5,800	5,936	136

NOTE J – EXCESS OF EXPENDITURES OVER APPROPRIATIONS (Continued):

	Budget	Actual	Unfavorable Variance
Town hall and grounds	\$30,350	\$51,198	\$20,848
Planning and Zoning	1,000	1,117	117
Library	2,700	3,021	321
Transfers out	-	10,322	10,322
Special Revenue:			
Fire Department			
Capital Outlay	7,500	190,500	183,000
Building Fund			
Building	-	216	216
Capital Outlay	-	81,554	81,554
Debt Service	-	46,058	46,058
Garbage Fund			
Sanitation	43,500	58,667	15,167
Transfer out	7,500	10,000	2,500

NOTE K – JOINT VENTURE:

In June 1988, Chocolay Township joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who is the Chairperson of the board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other 6 Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The Township's share of assets, liabilities, and fund equity is approximately 10 percent. Summary financial information as of and for the fiscal year ended June 30, 2005, is as follows:

Total Assets	\$13,560,611
Total Liabilities	2,075,460
Total Equity	11,485,151
Total Operating Revenues	2,425,089
Total Operating Expenses	2,149,808
Net Income (loss)	624,875

NOTE K – JOINT VENTURE (Continued):

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

NOTE L – DEFERRED COMPENSATION PLAN:

The Township offers its employees deferred compensation Plans created in accordance with the Internal Revenue Code, Section 457. The Plans are available to all employees. The Plans permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable future.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the Township's general creditors. Therefore, the Plan is no longer presented in these statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the Township has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The Township's Plan is administered by American Express (full time employees) and Wells Fargo Mid America Retirement Solutions (part time employees, and as Plan Administrators, agree to hold harmless and indemnify the Board, it's appointed and elected officers and participating employees from any loss resulting from American Express or Wells Fargo or their agents' failure to perform their duties and services pursuant to the American Express or Wells Fargo program.

NOTE M – FUND EQUITY DEFICIT BALANCES:

At March 31, 2005 the following funds had an unrestricted fund equity deficit:

<u>Fund</u>	<u>Deficit Fund Equity</u>
Governmental Activities:	
Special Revenue:	
Building Fund – Unrestricted	\$3,190

REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION

TOWNSHIP OF MICHIGAMME, MICHIGAN

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended March 31, 2005

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 82,600	\$ 90,800	\$ 92,223	\$ 1,423
Licenses and Permits	150	150	553	403
Federal Sources	-	-	-	-
State Sources	31,500	31,500	29,758	(1,742)
Local Sources	-	-	-	-
Charges for Services	5,300	5,300	3,621	(1,679)
Fines and Forfeits	-	-	-	-
Interest and Rents	4,500	4,500	3,025	(1,475)
Other Revenue	12,380	4,180	3,360	(820)
TOTAL REVENUES	136,430	136,430	132,540	(3,890)
EXPENDITURES:				
Legislative	18,960	18,960	18,423	537
Judicial	-	-	-	-
Elections	1,000	1,000	2,640	(1,640)
General Government	61,750	61,750	81,612	(19,862)
Public Safety	-	-	-	-
Public Works	7,850	7,850	7,835	15
Health and Welfare	-	-	-	-
Community and Economic Development	1,000	1,000	1,117	(117)
Recreation and Culture	6,300	6,300	6,473	(173)
Other Functions	33,800	33,800	17,532	16,268
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
TOTAL EXPENDITURES	130,660	130,660	135,632	(4,972)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,770	5,770	(3,092)	(8,862)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	-	(10,322)	(10,322)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(10,322)	(10,322)
CHANGE IN FUND BALANCE	5,770	5,770	(13,414)	(19,184)
Fund balance, beginning of year	85,469	85,469	85,469	-
FUND BALANCE, END OF YEAR	\$ 91,239	\$ 91,239	\$ 72,055	\$ (19,184)

TOWNSHIP OF MICHIGAMME, MICHIGAN

FIRE FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended March 31, 2005

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 47,390	\$ 47,390	\$ 47,961	\$ 571
Licenses and Permits	-	-	-	-
Federal Sources	-	-	-	-
State Sources	-	-	1,800	1,800
Local Sources	-	-	-	-
Charges for Services	21,260	21,260	113,041	91,781
Fines and Forfeits	-	-	-	-
Interest and Rents	-	-	-	-
Other Revenue	-	-	884	884
TOTAL REVENUES	68,650	68,650	163,686	95,036
EXPENDITURES:				
Legislative	-	-	-	-
Judicial	-	-	-	-
Elections	-	-	-	-
General Government	-	-	-	-
Public Safety	50,827	50,827	37,404	13,423
Public Works	-	-	-	-
Health and Welfare	18,650	18,650	14,411	4,239
Community and Economic Development	-	-	-	-
Recreation and Culture	-	-	-	-
Other Functions	-	-	-	-
Capital Outlay	7,500	7,500	190,500	(183,000)
Debt Service	-	-	-	-
TOTAL EXPENDITURES	76,977	76,977	242,315	(165,338)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,327)	(8,327)	(78,629)	(70,302)
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	75,000	75,000
Transfers in	7,500	7,500	-	(7,500)
Transfers (out)	(12,500)	(12,500)	(15,000)	(27,500)
TOTAL OTHER FINANCING SOURCES (USES)	(5,000)	(5,000)	60,000	40,000
CHANGE IN FUND BALANCE	(13,327)	(13,327)	(18,629)	(30,302)
Fund balance, beginning of year	83,193	83,193	83,193	-
FUND BALANCE, END OF YEAR	\$ 69,866	\$ 69,866	\$ 64,564	\$ (30,302)

TOWNSHIP OF MICHIGAMME, MICHIGAN

BUILDING FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended March 31, 2005

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 40,900	\$ 40,900	\$ 48,207	\$ 7,307
Licenses and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rents	-	-	-	-
Other revenues	-	-	36,678	36,678
TOTAL REVENUES	40,900	40,900	84,885	43,985
EXPENDITURES:				
Legislative	-	-	-	-
Judicial	-	-	-	-
Elections	-	-	-	-
General services and administration	-	-	216	(216)
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	81,554	(81,554)
Debt service	-	-	46,058	(46,058)
TOTAL EXPENDITURES	-	-	127,828	(127,828)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	40,900	40,900	(42,943)	(83,843)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	35,322	35,322
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	35,322	35,322
CHANGE IN FUND BALANCE	40,900	40,900	(7,621)	(48,521)
Fund balance, beginning of year	4,431	4,431	4,431	-
FUND BALANCE, END OF YEAR	\$ 45,331	\$ 45,331	\$ (3,190)	\$ (48,521)

TOWNSHIP OF MICHIGAMME, MICHIGAN

GARBAGE FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended March 31, 2005

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 46,660	\$ 46,660	\$ 48,081	\$ 1,421
Licenses and Permits	-	-	-	-
Federal Sources	-	-	-	-
State Sources	-	-	-	-
Local Sources	-	-	-	-
Charges for Services	5,350	5,350	23,754	18,404
Fines and Forfeits	-	-	-	-
Interest and Rents	-	-	-	-
Other Revenue	-	-	-	-
TOTAL REVENUES	52,010	52,010	71,835	19,825
EXPENDITURES:				
Legislative	-	-	-	-
Judicial	-	-	-	-
Elections	-	-	-	-
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	43,500	43,500	58,667	(15,167)
Health and Welfare	-	-	-	-
Community and Economic Development	-	-	-	-
Recreation and Culture	-	-	-	-
Other Functions	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
TOTAL EXPENDITURES	43,500	43,500	58,667	(15,167)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,510	8,510	13,168	4,658
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	(7,500)	(7,500)	(10,000)	(2,500)
TOTAL OTHER FINANCING SOURCES (USES)	(7,500)	(7,500)	(10,000)	(2,500)
CHANGE IN FUND BALANCE	1,010	1,010	3,168	2,158
Fund balance, beginning of year	51,928	51,928	51,928	-
FUND BALANCE, END OF YEAR	\$ 52,938	\$ 52,938	\$ 55,096	\$ 2,158

Other Supplemental Information

TOWNSHIP OF MICHIGAMME, MICHIGAN

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Property Taxes:			
Current levy	\$ 65,950	\$ 63,758	\$ (2,192)
Delinquent taxes	-	5,522	5,522
Commercial forest reserve	7,100	5,412	(1,688)
Swamp tax	6,100	6,095	(5)
Tax collection fees	11,650	11,436	(214)
Total Property Taxes	90,800	92,223	1,423
Licensing and Permits			
Zoning	100	484	384
Dog license	50	69	19
Total Licensing and Permits	150	553	403
State Sources:			
State revenue sharing	31,500	29,758	(1,742)
Total State Sources	31,500	29,758	(1,742)
Charges for Services:			
Burial	5,000	3,356	(1,644)
Miscellaneous services	300	265	(35)
Total Charges for Services	5,300	3,621	(1,679)
Interest and Rents			
Interest	4,000	2,215	(1,785)
Rents	500	810	310
Total Interest and Rents	4,500	3,025	(1,475)
Other Revenues:			
Miscellaneous other	4,180	3,360	(820)
Total Other Revenues	4,180	3,360	(820)
TOTAL REVENUES	136,430	132,540	(3,890)
EXPENDITURES:			
Legislative:			
Township Board:			
Personnel services	7,860	8,487	(627)
Supplies	2,500	2,865	(365)
Other services and charges	8,600	7,071	1,529
Capital outlay	-	-	-
Total Legislative	18,960	18,423	537
Elections			
Elections:			
Personnel services	1,000	2,640	(1,640)
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Elections	1,000	2,640	(1,640)

TOWNSHIP OF MICHIGAMME, MICHIGAN

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
General Government			
Supervisor:			
Personnel services	\$ 6,000	\$ 6,004	\$ (4)
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Supervisor	<u>6,000</u>	<u>6,004</u>	<u>(4)</u>
Assessor:			
Personnel services	3,500	4,478	(978)
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Assessor	<u>3,500</u>	<u>4,478</u>	<u>(978)</u>
Clerk:			
Personnel services	5,800	5,936	(136)
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Clerk	<u>5,800</u>	<u>5,936</u>	<u>(136)</u>
Board of Review:			
Personnel services	700	550	150
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Board of Review	<u>700</u>	<u>550</u>	<u>150</u>
Treasurer:			
Personnel services	5,800	4,663	1,137
Supplies	2,600	3,018	(418)
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Treasurer	<u>8,400</u>	<u>7,681</u>	<u>719</u>
Township Hall and Grounds:			
Personnel services	16,000	29,174	(13,174)
Supplies	3,000	3,525	(525)
Other services and charges	11,350	18,499	(7,149)
Capital outlay	-	-	-
Total Township Hall and Grounds	<u>30,350</u>	<u>51,198</u>	<u>(20,848)</u>
Cemetery			
Personnel services	7,000	4,234	2,766
Supplies	-	1,531	(1,531)
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Cemetery	<u>7,000</u>	<u>5,765</u>	<u>1,235</u>
Total General Government	<u>61,750</u>	<u>81,612</u>	<u>(19,862)</u>

TOWNSHIP OF MICHIGAMME, MICHIGAN

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended March 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public Works			
Streetlights			
Personnel services	\$ -	\$ -	\$ -
Supplies	-	-	-
Other services and charges	7,850	7,835	15
Capital outlay	-	-	-
Total Streetlights	<u>7,850</u>	<u>7,835</u>	<u>15</u>
Total Public Works	<u>7,850</u>	<u>7,835</u>	<u>15</u>
Community and Economic Development			
Planning Commission			
Personnel services	1,000	1,117	(117)
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Planning Commission	<u>1,000</u>	<u>1,117</u>	<u>(117)</u>
Total Community and Economic Development	<u>1,000</u>	<u>1,117</u>	<u>(117)</u>
Recreation and Culture			
Senior Center			
Personnel services	800	-	800
Supplies	-	-	-
Other services and charges	-	760	(760)
Capital outlay	-	-	-
Total Senior Center	<u>800</u>	<u>760</u>	<u>40</u>
Library			
Personnel services	2,700	-	2,700
Supplies	-	580	(580)
Other services and charges	-	2,441	(2,441)
Capital outlay	-	-	-
Total Library	<u>2,700</u>	<u>3,021</u>	<u>(321)</u>
Museum			
Personnel services	2,800	428	2,372
Supplies	-	121	(121)
Other services and charges	-	2,143	(2,143)
Capital outlay	-	-	-
Total Museum	<u>2,800</u>	<u>2,692</u>	<u>108</u>
Total Recreation and Culture	<u>6,300</u>	<u>6,473</u>	<u>(173)</u>

TOWNSHIP OF MICHIGAMME, MICHIGAN

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Other Expenditures			
Payroll taxes	\$ 11,800	\$ (1,701)	\$ 13,501
Insurance	15,000	15,619	(619)
Pension	2,000	1,999	1
Workers compensation	5,000	1,615	3,385
Total Other Expenditures	<u>33,800</u>	<u>17,532</u>	<u>16,268</u>
TOTAL EXPENDITURES	<u>130,660</u>	<u>135,632</u>	<u>(4,972)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,770</u>	<u>(3,092)</u>	<u>1,082</u>
OTHER FINANCING SOURCES (USES):			
Transfers in:	-	-	-
Transfers (out):	-	(10,322)	10,322
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(10,322)</u>	<u>10,322</u>
CHANGE IN FUND BALANCE	5,770	(13,414)	11,404
Fund balance, beginning of year	<u>85,469</u>	<u>85,469</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 91,239</u>	<u>\$ 72,055</u>	<u>\$ 11,404</u>

TOWNSHIP OF MICHIGAMME, MICHIGAN

**MAJOR GOVERNMENTAL FUNDS
FIRE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended March 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Property Taxes:			
Current levy	\$ 41,790	\$ 41,525	\$ (265)
Delinquent taxes	-	3,849	3,849
Commercial forest reserve	5,600	2,587	(3,013)
Total Property Taxes	<u>47,390</u>	<u>47,961</u>	<u>571</u>
State sources:			
Grants	-	1,800	1,800
Total State Sources	<u>-</u>	<u>1,800</u>	<u>1,800</u>
Charges for services:			
Fire services	13,185	106,210	93,025
EMS services	8,075	6,831	(1,244)
Total Charges for Services	<u>21,260</u>	<u>113,041</u>	<u>91,781</u>
Other Revenue:			
Other Revenue	-	884	884
Total Other Revenues	<u>-</u>	<u>884</u>	<u>884</u>
TOTAL REVENUES	<u>68,650</u>	<u>163,686</u>	<u>95,036</u>
EXPENDITURES:			
Public Safety:			
Fire Department:			
Personnel services	8,700	8,570	130
Supplies	10,000	3,220	6,780
Other services and charges	32,127	25,614	6,513
Capital outlay	-	-	-
Total Fire Department	<u>50,827</u>	<u>37,404</u>	<u>13,423</u>
Total Public Safety	<u>50,827</u>	<u>37,404</u>	<u>13,423</u>

MAJOR GOVERNMENTAL FUNDS
FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

January 0, 1900

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Health and Welfare			
EMS Department			
Personnel services	\$ 1,300.00	\$ 1,088.00	\$ 212.00
Supplies	5,850	3,700	2,150
Other services and charges	11,500	9,070	2,430
Capital outlay	-	553	(553)
Total EMS Department	<u>18,650</u>	<u>14,411</u>	<u>4,239</u>
Total Health and Welfare	<u>18,650</u>	<u>14,411</u>	<u>4,239</u>
Capital Outlay			
Fire department	7,500	190,500	(183,000)
EMS department	-	-	-
Total Capital Outlay	<u>7,500</u>	<u>190,500</u>	<u>(183,000)</u>
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>76,977</u>	<u>242,315</u>	<u>(165,338)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8,327)</u>	<u>(78,629)</u>	<u>(70,302)</u>
OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	75,000	75,000
Transfers in	7,500	-	(7,500)
Transfers (out)	(12,500)	(15,000)	(2,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,000)</u>	<u>60,000</u>	<u>65,000</u>
CHANGE IN FUND BALANCE	<u>(13,327)</u>	<u>(18,629)</u>	<u>(5,302)</u>
Fund balance, beginning of year	<u>83,193</u>	<u>83,193</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 69,866</u>	<u>\$ 64,564</u>	<u>\$ (5,302)</u>

TOWNSHIP OF MICHIGAMME, MICHIGAN

**MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE**

BUILDING FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Property Taxes:			
Currently levy	\$ 36,150	\$ 41,596	\$ 5,446
Delinquent taxes	-	4,012	4,012
Commercial forest reserve	4,750	2,599	(2,151)
Total Property Taxes	<u>40,900</u>	<u>48,207</u>	<u>7,307</u>
Other Revenue:			
Other Revenue	-	36,678	36,678
Total Other Revenues	<u>-</u>	<u>36,678</u>	<u>36,678</u>
TOTAL REVENUES	<u>40,900</u>	<u>84,885</u>	<u>43,985</u>
EXPENDITURES:			
General Government:			
Building:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	-	216	(216)
Capital outlay	-	-	-
Total Building	<u>-</u>	<u>216</u>	<u>(216)</u>
Total General Government	<u>-</u>	<u>216</u>	<u>(216)</u>
Capital Outlay:			
Building	-	81,554	81,554
Total Capital Outlay	<u>-</u>	<u>81,554</u>	<u>81,554</u>
Debt Service:			
Principal	-	39,724	39,724
Interest	-	6,334	6,334
Total Capital Outlay	<u>-</u>	<u>46,058</u>	<u>46,058</u>
TOTAL EXPENDITURES	<u>-</u>	<u>127,828</u>	<u>127,396</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>40,900</u>	<u>(42,943)</u>	<u>171,381</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	35,322	35,322
Transfers (out)	-	-	-
AL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>35,322</u>	<u>35,322</u>
CHANGE IN FUND BALANCE	40,900	(7,621)	206,703
Fund balance, beginning of year	4,431	4,431	-
FUND BALANCE, END OF YEAR	<u>\$ 45,331</u>	<u>\$ (3,190)</u>	<u>\$ 206,703</u>

TOWNSHIP OF MICHIGAMME, MICHIGAN

**MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE**

GARBAGE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Property Taxes:			
Currently levy	\$ 41,660	\$ 41,412	\$ (248)
Delinquent taxes	-	4,099	4,099
Commercial forest reserve	5,000	2,570	(2,430)
Total Property Taxes	<u>46,660</u>	<u>48,081</u>	<u>1,421</u>
Charges for Services			
Republic township	3,900	4,975	1,075
Church Camps	1,300	1,400	100
Contractors	-	16,722	16,722
Recycling	-	420	420
Landfill tickers	150	237	87
Total Charges for Services	<u>5,350</u>	<u>23,754</u>	<u>18,404</u>
TOTAL REVENUES	<u>52,010</u>	<u>71,835</u>	<u>19,825</u>
EXPENDITURES:			
Public Works:			
Sanitation:			
Personnel services	11,700	12,260	(560)
Supplies	2,400	2,570	(170)
Other services and charges	29,400	43,837	(14,437)
Capital outlay	-	-	-
Total Sanitation	<u>43,500</u>	<u>58,667</u>	<u>(15,167)</u>
Total Public Works	<u>43,500</u>	<u>58,667</u>	<u>(15,167)</u>
TOTAL EXPENDITURES	<u>43,500</u>	<u>58,667</u>	<u>(15,167)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>8,510</u>	<u>13,168</u>	<u>4,658</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	(7,500)	(10,000)	2,500
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7,500)</u>	<u>(10,000)</u>	<u>2,500</u>
CHANGE IN FUND BALANCE	<u>1,010</u>	<u>3,168</u>	<u>7,158</u>
Fund balance, beginning of year	<u>51,928</u>	<u>51,928</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 52,938</u>	<u>\$ 55,096</u>	<u>\$ 7,158</u>

TOWNSHIP OF MICHIGAMME, MICHIGAN

**NON-MAJOR
GOVERNMENTAL FUNDS**

BALANCE SHEET

March 31, 2005

			Special Revenue Fund
	Road Fund	Park Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 71,058	\$ 13,727	\$ 84,785
Accounts receivable - net	1,776	888	2,664
Due from other funds	53,400	-	53,400
Prepaid expenditure	-	-	-
TOTAL ASSETS	\$ 126,234	\$ 14,615	\$ 140,849
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	266	190	456
Other liabilities	-	-	-
TOTAL LIABILITIES	266	190	456
FUND BALANCE:			
Unreserved	125,968	14,425	140,393
TOTAL FUND BALANCE	125,968	14,425	140,393
TOTAL LIABILITIES AND FUND BALANCE	\$ 126,234	\$ 14,615	\$ 140,849

TOWNSHIP OF MICHIGAMME, MICHIGAN

**NON-MAJOR
GOVERNMENTAL FUNDS**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended March 31, 2005

	Road Fund	Park Fund	Special Revenue Fund Total Governmental Funds
REVENUES:			
Property Taxes	\$ 24,395	\$ 10,885	\$ 35,280
Licenses and Permits	-	-	-
Federal Sources	-	-	-
State Sources	888	-	888
Local Sources	-	-	-
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Interest and Rents	-	350	350
Other Revenue	-	622	622
TOTAL REVENUES	25,283	11,857	37,140
EXPENDITURES:			
Legislative	-	-	-
Judicial	-	-	-
Elections	-	-	-
General Government	-	-	-
Public Safety	-	-	-
Public Works	1,899	-	1,899
Health and Welfare	-	-	-
Community and Economic Development	-	-	-
Recreation and Culture	-	8,115	8,115
Other Functions	-	-	-
Capital Outlay	-	-	-
Debt Service	-	-	-
TOTAL EXPENDITURES	1,899	8,115	10,014
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	23,384	3,742	27,126
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	23,384	3,742	27,126
Fund balance, beginning of year	102,584	10,683	113,267
FUND BALANCE, END OF YEAR	\$ 125,968	\$ 14,425	\$ 140,393

TOWNSHIP OF MICHIGAMME, MICHIGAN

**NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE**

ROAD FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Property Taxes:			
Currently levy	\$ 18,900	\$ 18,826	\$ (74)
Delinquent taxes	-	1,776	1,776
National forest	3,150	2,620	(530)
Commercial forest reserve	1,200	1,173	(27)
Total Property Taxes	<u>23,250</u>	<u>24,395</u>	<u>1,145</u>
State Sources			
Metro act	-	888	888
Total State Sources	<u>-</u>	<u>888</u>	<u>888</u>
TOTAL REVENUES	<u>23,250</u>	<u>25,283</u>	<u>2,033</u>
EXPENDITURES:			
Public Works:			
Road:			
Personnel services	2,900	706	2,194
Supplies	-	194	(194)
Other services and charges	5,300	999	4,301
Capital outlay	-	-	-
Total Road	<u>8,200</u>	<u>1,899</u>	<u>6,301</u>
Total Public Works	<u>8,200</u>	<u>1,899</u>	<u>6,301</u>
TOTAL EXPENDITURES	<u>8,200</u>	<u>1,899</u>	<u>6,301</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>15,050</u>	<u>23,384</u>	<u>8,334</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	15,050	23,384	8,334
Fund balance, beginning of year	<u>102,584</u>	<u>102,584</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 117,634</u>	<u>\$ 125,968</u>	<u>\$ 8,334</u>

TOWNSHIP OF MICHIGAMME, MICHIGAN

**NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE**

PARK FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Property Taxes:			
Currently levy	\$ 9,450	\$ 9,412	\$ (38)
Delinquent taxes	-	888	888
Commercial forest reserve	1,150	585	(565)
Total Property Taxes	<u>10,600</u>	<u>10,885</u>	<u>285</u>
Interest and Rents:			
Rental	500	350	(150)
Total Interest and Rents	<u>500</u>	<u>350</u>	<u>(150)</u>
Other Revenue:			
Other Revenue	-	622	622
Total Other Revenues	<u>-</u>	<u>622</u>	<u>622</u>
TOTAL REVENUES	<u>11,100</u>	<u>11,857</u>	<u>757</u>
EXPENDITURES:			
Recreation and Culture:			
Park:			
Personnel services	4,900	2,962	1,938
Supplies	950	182	768
Other services and charges	5,250	4,971	279
Capital outlay	-	-	-
Total Park	<u>11,100</u>	<u>8,115</u>	<u>2,985</u>
Total Recreation and Culture	<u>11,100</u>	<u>8,115</u>	<u>2,985</u>
TOTAL EXPENDITURES	<u>11,100</u>	<u>8,115</u>	<u>2,985</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>3,742</u>	<u>3,742</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>3,742</u>	<u>3,742</u>
Fund balance, beginning of year	10,683	10,683	-
FUND BALANCE, END OF YEAR	<u>\$ 10,683</u>	<u>\$ 14,425</u>	<u>\$ 3,742</u>

TOWNSHIP OF MICHIGAMME, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

March 31, 2005

	Trust and Agency Fund	Tax Collection Fund	Total
ASSETS			
Cash and cash equivalents	\$ 572	\$ 8,779	\$ 9,351
Due from other funds	1,178	-	1,178
TOTAL ASSETS	<u>\$ 1,750</u>	<u>\$ 8,779</u>	<u>\$ 10,529</u>
LIABILITIES			
Due to other funds	\$ -	\$ 8,779	\$ 8,779
Due to others	1,750	-	1,750
TOTAL LIABILITIES	<u>\$ 1,750</u>	<u>\$ 8,779</u>	<u>\$ 10,529</u>

Compliance Supplements



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Supervisor and Township Board of Trustees
Township of Michigamme, Michigan
P.O. Box 220
Michigamme, Michigan 49861

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Michigamme, Michigan as of and for the year ended March 31, 2005, which collectively comprise the basic financial statements and have issued our report thereon dated December 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances are reported in a separate letter to management dated December 2, 2005.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Township of Chatham's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and Township Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

December 2, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

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MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

Township of Michigamme, Michigan *Report to Management Letter* *For the Year Ended March 31, 2005*

To the Honorable Supervisor and Members of
The Township Board
Township of Michigamme, Michigan
PO Box 220
Michigamme, MI 49861

In planning and performing our audit of the financial statements of the Township of Michigamme for the year ended *March 31, 2005*, we considered its internal accounting control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we did not note any matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

INSTANCES OF NON-COMPLIANCE

Fund Balance Deficit

At March 31, 2005 the following funds had an unrestricted equity deficit:

<u>Fund</u>	<u>Deficit Equity Balance</u>
Special Revenue Funds:	
Capital Improvement – Unrestricted	\$3,190

Public Act 275 of 1980 requires that all deficits in any fund balances of local units be disclosed and enumerated upon in Footnotes of the financial statements.

In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, Michigamme Township has not filed such a plan. We recommend Michigamme Township monitor the fund closer in future years to ensure there are sufficient revenues to cover the expenditures each year.